

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6602**

**BILL NUMBER:** HB 1003

**NOTE PREPARED:** Dec 3, 2003

**BILL AMENDED:**

**SUBJECT:** Farmstead Property Tax Deduction.

**FIRST AUTHOR:** Rep. Chowning

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill establishes a farmstead property tax deduction.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) would be permitted to adopt temporary rules to implement this proposed deduction.

**Explanation of State Revenues:** The AV reduction resulting from the farmstead property tax deduction would cause a reduction in revenue for the State Fair and State Forestry Funds. The reduction is estimated at about \$20,000 in FY 2004 and \$40,000 in all other years.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Beginning with property tax paid in CY 2004, this bill would allow a deduction from the assessed value of agricultural land owned by an individual or a corporation if the owner actively participates in the use of the agricultural land. Each owner would be eligible to receive only one deduction statewide, regardless of the number of farms owned. The deduction would be equal to the lesser of (1) 20% of the farmland's assessed value or (2) the statutory deduction amount for the standard homestead deduction which is currently set at \$35,000.

Based on a maximum \$35,000 deduction and the number and size of farms reported in the *1997 Census of Farms*, the reduction in AV is estimated at \$1.22 B AV for taxes paid in 2004 and future years. Reductions of the AV tax base cause a shift of the property tax burden from the taxpayers receiving the reductions to all

taxpayers in the form of an increased tax rate. **These deductions would cause an estimated statewide net tax shift of about \$22.8 M CY 2004, \$24.3 M CY 2005, and \$24.7 M CY 2006.** Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the AV reduction amount applicable to that fund.

Under the proposal, taxpayers would have until May 10<sup>th</sup> to apply for the deduction to be effective for taxes paid in the next year, except for 2004 taxes when the deadline is January 9, 2004.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors; All local units and school corporations.

**Information Sources:** Census Bureau; Local Government Database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.